



Legislative  
Research  
Council

# MINUTES

Bureau of Information and  
Telecommunications Agency  
Review Committee

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**Second Meeting  
2004 Interim  
August 16, 2004**

**Room 412  
State Capitol Building  
Pierre, South Dakota**

## **Monday, August 16, 2004**

The second meeting of the interim Bureau of Information and Telecommunications Agency Review Committee was called to order by Representative J.E. "Jim" Putnam, Chair, at 9:00 a.m. on Monday, August 16, 2004, in Room 412 of the State Capitol Building in Pierre, South Dakota.

A quorum was established with the following members answering the roll call: Senators Jerry Apa, Dick Kelly, and John Koskan (Vice-Chair); and Representatives Mike Buckingham, Elizabeth Kraus, Gordon Pederson, J.E. "Jim" Putnam (Chair), Donna Schafer, David Sigdestad, Tom Hackl, and Paul Valandra.

Staff members present included Aaron Olson, Fiscal Analyst, and Reta Rodman, Legislative Secretary.

**(NOTE):** For sake of continuity, the following minutes are not necessarily in chronological order. Also, all referenced documents are on file with the master minutes.)

### **Chair Remarks**

**Representative Putnam** summarized the direction in which the Executive Board wished the committee to proceed which includes the analysis of the digitization of South Dakota Public Broadcasting and the sunset process. The committee was apprised that this meeting was not a debate about whether or not South Dakota Public Broadcasting should exist but rather a learning process regarding the digitization of Public Broadcasting.

### **Bureau of Information and Telecommunications (BIT) Presentation**

**Commissioner Otto Doll** started his presentation by referring to the questions submitted to him at the last meeting (**Document #1**). He informed the committee that at times space is leased on the towers; however, at that time agreements are made between the two entities. Commissioner Doll pointed out that the FBI agency is the largest user of the towers. An agreement was made at the time of the Madison tower purchase that the tenants could stay on that tower.

Representative Putnam questioned if the State of South Dakota had discounted rates for the use of the towers, and Commissioner Doll responded by saying that the State only paid the cost to maintain the towers. Senator Apa expressed interest why the three people on the Madison Tower did not pay any tower rent but had been paying East River before the State controlled the tower. Commissioner Doll advised the committee that they were grandfathered into the program and Jeff Pierce, Bureau of Information and Telecommunications, clarified that they were paying rent.

Representative Valandra expressed an interest in the height of the Long Valley Tower and its cost relationship to the other state operated towers. Commissioner Otto Doll declared the tower to be 653 feet tall, and he indicated to the committee that the state does not break out each tower's cost to operate but does all the towers together. Discussion was held, with Senator Dick Kelly questioning the annual cost to operate the towers and if federal agencies are given a rate discount. The Commissioner's response was that the cost of the lease is not based on cost of maintenance of the tower but on market rate.

Commissioner Doll extended his presentation to the committee by explaining the role of the Senior IT Committee. This committee consists of eight members who meet weekly. Their function is to review any project that has been submitted to BIT and is estimated to cost over \$50,000. The Senior IT Committee has been in existence for one year. Commissioner Doll explained to the committee that project requests are first submitted to BIT for review. BIT can either approve or deny the request but if denied the agency has the option to request BIT to submit the project to the Senior IT Committee for their review. Representative Putnam asked if the Legislature will be seeing requests from agencies for technology either approved or disapproved by the IT Committee. Commissioner Doll responded by telling the committee that very possibly the Legislature could see a money request for a project from an agency that the Senior IT Committee had previously denied.

The Bureau of Information and Telecommunications has numerous contracts throughout the state and has the option to check prices. Representative Putnam recommended, due to the time frame, postponement of Commissioner Doll's responses to the questionnaire, and to continue with the discussion at the next meeting.

### **Public Testimony**

**Ms. Julie Anderson**, Public Broadcasting Director, distributed a handout entitled "SDPB South Dakota Public Broadcasting" (**Document #2**). She briefed the committee on the task that lay before them in switching from analog to digital. At the present time there are nine broadcast transmitters and 13 translator sites. The translator sites help get the frequency to the difficult areas within South Dakota. The committee was also informed that new digitalization towers have been constructed in Wall and New Underwood. Ms. Anderson advised that six of the nine towers are up to digitalization. Both Commissioner Doll and Ms. Anderson indicated that this is a large scale construction project with no site less than fifty percent complete. They also feel analog will be used for a long time in addition to digital. Representative Valandra questioned the effectiveness of the old system. Commissioner Doll responded by informing the committee that there is 90 to 95 percent coverage area in the state. The analog system took 34 years to develop with the digitalization system taking only 7

years to complete. Ms. Anderson stated that a translator has less power and is used for only one town or area. In responding to a question from the committee of whether we would build now as we had years ago, Ms. Anderson answered "no". Senator Kelly asked if when the digitalization is 100 percent complete we are going to be required to purchase new television sets or if will there be an instrument to convert to digital. Commissioner Doll advised that existing television sets can be converted to digital by purchasing a converter box with the price somewhere around \$100. The committee was informed by Ms. Anderson that the digital system would cost an additional \$300,000 a year in expenses for electricity and maintenance of the transmitters.

Both Commissioner Doll and Ms. Anderson indicated the funding for the digital project will come from grants, federal and state money, public broadcasting's capital outlay, and Friends of Public Broadcasting. They both stated that it would probably be 2009 before the state was off analog and strictly digital. With regard to the Faith tower and its age, Representative Kraus suggested that it might be more realistic to receive grant money for the purchase of converter boxes rather than trying to repair the old tower for an estimated cost of \$250,000.

**Mr. John Lawson**, President of the Association of Public Television Stations, testified before the committee that the association represents the majority of the 175 public TV broadcasters. He indicated Congress is requiring that 85 percent of the population be receiving a digital signal before analog is shut down. Mr. Lawson stated that the cost to switch from analog to digital is over a billion dollars. Senator Apa asked what percentage of the cost to convert to digital comes from general fund dollars. Mr. Lawson said that at least 23 percent of the funding comes from general fund dollars nationally. He indicated the digitalization was the result of the federal government wanting to free up air space, thus allowing a bidding process for that space which would allow additional revenue for the federal government. Mr. Lawson indicated that with digitalization the channel availability would go from 9 analog to almost 30 digital which provides "last mile" delivery for dispersed populations and opens up a lot of doors for South Dakota and the whole country. He is of the opinion that South Dakota has gotten by cheaper in the process of digitalization compared to other states.

The committee heard testimony from **Mr. Rod Bates**, President of Nebraska Educational Television. He indicated that in Nebraska 75 percent of the funding has been from the State of Nebraska with 25 percent being received from other sources; however, this year the legislators have reduced their portion of the funding for the digitalization project. Bonds had also been issued to help with the cost of digitalization. Mr. Bates distributed a handout entitled "NET" (**Document #3**). This document explained the Nebraska Educational Telecommunications (NET) pilot project which is the most extensive and comprehensive of its kind with the goal being to evaluate the best way to distribute educational content using digital transmission.

Mr. Bates apprised the committee that Nebraska has already been broadcasting digital throughout the state. A pamphlet titled "Digital Television and the New Nebraska ETV Networks" (**Document #4**) was distributed to the committee members showing various advantages of the digital system. Mr. Bates indicated that Nebraska, much like South Dakota, has 9 transmitters and 14 translators. He also advised that Nebraska has received revenue from various innovative schemes and also has a close working relationship with the State

Department of Education. At the present time they are looking for ways to complement with the Association of Public TV Stations. Mr. Bates wanted the committee to know that he and Julie Anderson had many conversations over time regarding the possibility of sharing content since both South Dakota and Nebraska have the same issues. He was asked if South Dakota could contract for content with Nebraska, and he responded by advising "absolutely."

A document was distributed by Mr. Bates entitled "Nebraska Educational Telecommunications Commission Analysis of Funding for DTV Operating Costs" (**Document #5**). He indicated the operating expense problems to be insurance premiums, communications, transmission electrical and maintenance, along with production maintenance expenses. Another handout was presented to the committee entitled "Nebraska Educational Telecommunications" (**Document #6**) which showed that in 1954 Nebraska had only 1 transmitter licensed to the Board of Regents, however, in 2001 they had 1 transmitter licensed to the Board of Regents, 8 transmitters and 14 translators licensed. A news release was distributed to the committee entitled "News Release" (**Document #7**) advising the Nebraska public that the "AMBER ALERT" plan will be up and running this fall. Mr. Bates indicated that in this area South Dakota is ahead of Nebraska because South Dakota already has the Amber Alert in place. He stated that one advantage of public broadcasting over the private sector is the ability of public broadcasting to saturate a whole state.

**Mr. Jack Hanson**, former General Manager of KSFY, testified that the internal cost to KSFY to change from analog to digital is \$33 million, which to the commercial broadcasting industry has no comeback to this investment. He stated that the conversion will not happen by 2006, with the estimate for KSFY to be closer to the year 2015. Mr. Hanson indicated that the commercial broadcaster is not interested in broadband nor does it have the passion that South Dakota Public Broadcasting has. He feels the private sector is not fulfilling its obligation and that is where public television steps into play.

**Ms. Glenda Woodburn**, a member of the South Dakota Board of Directors for Educational Telecommunications, expressed to the committee in testimony that South Dakota Public Broadcasting has the flexibility for teachers in viewing content for the classroom at reasonable times during the day. She is excited about the digitalization advantages for the State of South Dakota.

**Ms. Sue White**, President of Friends of Public Broadcasting, Board of Directors, testified before the committee that the group's mission is to lead fundraising for SDPB, coordinate, and serve as an advisory board. Representative Putnam interjected that having a lobbyist representing Friends at the legislative session was definitely a plus. Ms. White indicated that Friends does no funding of production but does fund special projects. She said of the \$1.8 million raised, \$900,000 is reverted to the network.

### **Committee Discussion**

**Senator Kelly** and **Representative Kraus** both expressed interest in the Bureau of Information and Telecommunications obtaining the number of people in the outlying areas that will be affected by the conversion from analog to digital. They also expressed interest in the cost to repair an old tower in relation to how many people will be affected.

**Senator Koskan** stated his concerns and asked if BIT could review what other states are doing with regard to digitalization and possibly share ideas and content with those other states.

**Representative Gordon Pederson** indicated to the committee that he feels it is too early to analyze the digitalization process without additional information being provided to the members.

**Chair Putnam** stated he does not feel South Dakota is up to speed compared to other states and the committee should make a final decision on the analysis of digitalization after the next meeting.

The next meeting was set for Monday, October 4, 2004, at 9 a.m. (CT) in Pierre.

**SENATOR APA MOVED, SECONDED BY REPRESENTATIVE PEDERSON, THAT THE MEETING ADJOURN. MOTION CARRIED UNANIMOUSLY ON A VOICE VOTE.**

The meeting adjourned at 4:15 p.m.



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